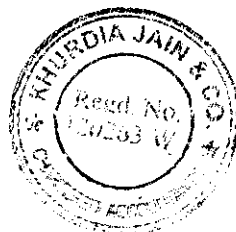




BANKING SNIPPETS FOR SEPTEMBER 2017 **KHURDIA JAIN & CO.**
CHARTERED ACCOUNTANTS

- 1. Rajnish Kumar to replace Arundhati Bhattacharya as SBI chief:**
MUMBAI: State Bank of India managing director Rajnish Kumar will succeed Arundhati Bhattacharya as chairman of the country's largest bank. The Appointments Committee of the Cabinet approved the appointment of Kumar for three years from October 7, according to an order issued by the Department of Personnel and Training (DoPT). Kumar joined SBI as a probationary officer in 1980 and has worked in various departments. Before becoming MD, national banking group, in 2015, he headed the merchant banking arm, SBI Capital Markets, as managing director and CEO. Kumar has worked in credit, project finance, foreign exchange and retail banking. He also worked for SBI overseas in Canada and the UK. The new head will have to lead SBI through resolution of bad loans, while ensuring it supports growth by stepping up lending.
- 2. RBI INCLUDES HDFC BANK LTD IN "TOO BIG TO FAIL" LENDERS LIST:** Private sector lender HDFC Bank Ltd has been declared a Domestic-Systematically Important Bank (D-SIB). With this, the bank has joined State Bank of India and ICICI Bank Ltd, which have been tagged as D-SIB or "Too-Big-to-Fail" banks. Such classification means the collapse of these banks could lead to cascading effect on the entire economy of the country. Such banks are also mandated to maintain a higher share of risk-weighted assets as tier-I equity.
- 3. IT MAY TAKE ATMs 3 MONTHS TO DISPENSE Rs. 200/-**
NOTES: While RBI has already launched Rs. 200 currency notes in the system, it may take up to 3 months for ATMs to dispense the new currency as it will involve huge exercise of recalibration. The banks have not yet got the supply of Rs. 200 currency but some banks have asked the ATM companies to begin testing the new note for the recalibration. It is yet to be seen whether all the 2.2 lakh ATM machines across the country would be recalibrated for dispensing the new note.



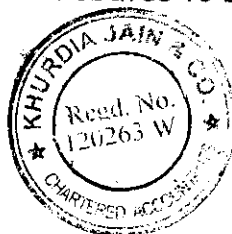


4. **PEER-TO-PEER LENDING TO BE TREATED AS NBFCs:** After a year or more of due diligence and analysis, RBI has notified that peer-to-peer (P2P) lending platforms need to be regulated and treated on par with Non-Banking Financial Companies (NBFCs). While final guidelines are awaited, the P2P lenders have welcomed this move as they feel these regulations would help bring credibility and trust in to the business. This will also bring in a lot of legal clarity as the P2P lenders will have the rights to take legal action against the defaulters.

5. **RBI DEPUTY GOVERNOR SUGGESTS SELLING OFF PSU BANK LAGGARDS:** The Deputy Governor of RBI Mr. Viral Acharya in one of his speech has suggested that the state run banks which are not doing well and are in "Intensive care unit", be sold off to private sector banks as the time may be running out for state-run banks to clean-up and recapitalise. We feel that such a statement from the highest authority at this juncture is not justified, considering the fact that some of the Bank heads of acquiring banks have put some conditions to the government for mergers to happen. And selling off sick state-run banks to private sector will not solve the NPA menace that is eating up the economy.

6. **GOVERNMENT MUST PUMP IN MORE CAPITAL IN TO PSU BANKS FOR EFFECTIVE NPA RESOLUTION:** Fitch Ratings has said that weak capital position of PSU banks have a major negative influence on Indian Banks viability reports and these banks will come under more pressure if the problem is not addressed. The report says the government has to pump in additional capital in to PSU banks to make them tackle the NPA menace effectively and raise their loan growth.

7. **CAIT SUGGESTS TAX REBATES TO CONSUMERS & TRADERS TO PROMOTE DIGITAL /CASHLESS MOVEMENT:** The Confederation of All India Traders (CAIT) has suggested several measures to the government to achieve the goals of cashless economy and reaching 2500 crore digital transactions this fiscal. The confederation says that certain tax rebates to consumers for some types of digital payments and similar rebates to be extended to the traders as well.



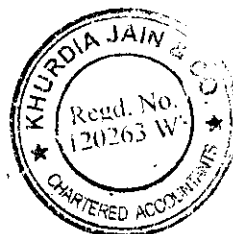


8. **CARD PAYMENTS DRIVE MAY LAND BANKS WITH Rs. 3,800 CRORE ANNUAL HOLE:** As per a SBI research report, The government's digital payments push, mainly online card payments through PoS machines may bleed the banks by a whopping Rs 3,800 crore annually. The number of PoS terminals post -demonetization has increased from 13.8 lakh in March 2016 to 28.4 lakh as of July 2017. There is a huge cost involved in maintaining these PoS machines and the net loss would be a whopping Rs 3,800 crore annually. (This is all banks put together).

9. **SBI CARDS TO START CONTACTLESS PAYMENTS SOON:** SBI Cards has doubled its base in three years to over 50 lakhs cards. SBI Cards is updating its mobile application and all its customers could soon make payments merely by tapping their smartphone on a swipe machine. Some card holders are already using this cardless payment facility on the Samsung Pay Platform. The bank plans to launch its own proprietary application which enables virtualisation of the card and any smartphone subscriber can pay by just tapping his mobile phone if he is a SBI card holder.

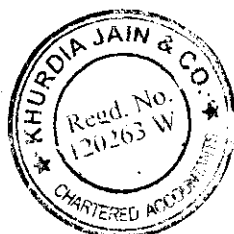
10. **BANKING SECTOR'S CREDIT DEMAND TO GET BOOST FROM GOVERNMENT PROJECTS:** State bank of India Chairperson Ms Arundhati Bhattacharya said that the banking industry is poised for a recovery in the credit demand as it stands to gain from the number of projects announced by the government. We just saw the declaration of bullet trains and various other corridors which are expected to come up soon and these projects will give a boost to the credit and investment cycle.

11. **NBFCs' SHARE IN LOANS REACH AN ALL TIME HIGH:** Non-Banking Finance Companies (NBFCs) are on a roll as their share in retails lending in India has reached an all-time high of 36% at the end of March 2017. They continue to grow faster than both private and public sector banks. NBFCs have shown a growth of 17% over the previous year as against a growth of 15% as reported by private sector banks and 2.5% decline in retail loans by PSU banks.



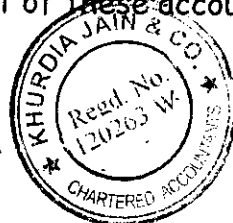


12. **FINTECH-BANK COLLABORATION YIELDS SMARTER OUTCOMES:** RBI Deputy Governor Mr. B P Kanungo has said that Fintech companies need to collaborate with Banks for providing better service to the customers. This kind of collaboration will lead to smart solutions for better customer satisfaction.
13. **HDFC BANK'S "EVA" BECOMES INDIA'S SMARTEST CHATBOT:** HDFC Bank, in collaboration with Bengaluru based company Sense forth has launched "EVA" (Electronic Virtual Assistant) in March this year on its website. Since then EVA has interacted with over 5, 30,000 unique users, holding 1.2 million conversations and has addressed 2.7 million customer queries to become India's largest banking "Chatbot".
14. **SBI SAYS FINE FROM MINIMUM BALANCE DEFAULTS TO AMOUNT TO Rs 2,000 CRORE:** SBI expects to realise over Rs 2,000 crore from Savings Bank account holders as penalty for not maintaining minimum balance in their account. Till June quarter end the Bank has recovered Rs 235 crore. The sum thus collected will be used to partly cover the costs incurred on linking of accounts with Aadhaar which is a very costly affair. Other than this, the cost of maintaining ATMs and business correspondents is also very high.
15. **AIRTEL PAYMENT BANK ROLLS OUT UPI-ENABLED DIGITAL PAYMENTS:** Airtel Payments Bank has become the first payments bank in India to integrate Unified Payments Interface (UPI) on its digital platform. This will enable Airtel Payments Bank customer to make secure digital payments to online/offline merchants and making instant money transfers to any bank account in India. They will also be able to link their accounts on BHIM app and make UPI payments.
16. **SBI TOO LAUNCHES ITS OWN AI-POWERED "CHATBOT":** State Bank of India too has launched its own chatbot to handle customer queries and guide them through range of retail products and services. The chatbot is named "SBI Intelligent Assistant" (SIA) and is currently undergoing beta testing.





- 17. CENTRE CLEARS BILL TO INCREASE TAX FREE GRATUITY LIMIT TO Rs 20 LAKH:** The Centre has approved an amendment Bill that increases the limit of tax free gratuity up to Rs 20 lakh for employees belonging to public as well as private sector. Once this bill is passed, all employees that are not covered under the Central Civil Service (Pension) Rules will be able to avail the tax free gratuity of up to Rs.20 lakh.
- 18. CHEQUE BOOKS, IFS CODES OF 6 MERGED SUBSIDIARY BANKS BECAME INVALID FROM SEPTEMBER 30th:** State Bank of India has notified its customers that cheque books and IFS codes of six of its merged subsidiary banks became invalid from September 30th and has asked them to submit new applications for fresh cheque books.
- 19. BANKS WITHOUT AADHAAR ENROLLMENT CENTRES TO FACE FINE FROM OCTOBER:** The UIDAI has given banks one month time to open Aadhaar enrolment centres in a stipulated 10% of branches and if this is not implemented, a fine of Rs. 20,000 per uncovered branch will be imposed after September 30 th .
- 20. LENDING RATE CUTS IS THE KEY TO ECONOMIC RECOVERY:** Lending rate cuts are the only way to economic recovery as it would perk up demand and push investments. This is as per one economic survey report. The report said that structural reforms take longer time of 5-10 years to reflect in growth rate. Lending rate cuts would push demand, put idle factories to work and spark off investment.
- 21. NPA RESOLUTION- BANK UNIONS ARE SCEPTICAL OF BANKRUPTCY CODE:** Bank unions have claimed the bankruptcy process initiated by various lenders for NPA resolution will not help in bringing the money back. The Union press release said the bankruptcy process is not going to yield desired results in terms of NPA recovery as the recovery process is going to be very slow and there is no guarantee of banks getting back the entire dues. Banks will incur further loss on account of these accounts.





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22. PRIVATE BANKS' SHARE IN CREDIT WILL TOUCH 40% BY

2020: As per a report from credit rating agency ICRA, Indian Banking is going through a transition, with both Private and public sector banks (PSBs) facing different challenges. PSBs are plagued with poor asset quality issues, leading to higher credit costs and losses. Due to this fact the share of private sector banks in banking sector advances will reach a level of around 40% by 2020. As of March 2017 private sector banks' share in total advances was 27.5%.

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